

**REPORT OF THE AUDIT OF THE  
BOURBON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE**  
**BOURBON COUNTY FISCAL COURT**

**June 30, 2006**

The Auditor of Public Accounts has completed the audit of the Bourbon County Fiscal Court for fiscal year ended June 30, 2006. We have issued unqualified opinions on the governmental activities, each major governmental fund, and aggregate remaining fund information of Bourbon County, Kentucky. We have also issued a disclaimer of opinion on the business-type activities and jail canteen fund of Bourbon County, Kentucky due to the lack of adequate documentation maintained by the former Jailer.

**Financial Condition:**

The fiscal court had unrestricted net assets of \$3,509,474 in its governmental activities as of June 30, 2006, with total net assets of \$15,356,015. The fiscal court had total debt principal as of June 30, 2006 of \$4,181,598 with \$179,830 due within the next year.

**Report Comments:**

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported
- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Donnie Foley, Bourbon County Judge/Executive

Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2006, as listed in the table of contents. We were engaged to audit the accompanying financial statements of the business-type activities and jail canteen fund of Bourbon County, Kentucky, as of and for the year ended June 30, 2006. These financial statements are the responsibility of Bourbon County Fiscal Court. Our responsibility is to express opinions on the financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, Bourbon County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We were unable to obtain daily cash checkout sheets, receipts and disbursements ledgers, supporting documentation for disbursements, and bank reconciliations for the jail canteen fund and we were unable to apply other auditing procedures to the jail canteen fund.

Because of the lack of adequate documentation maintained by the Former Jailer on the jail canteen fund and because we were unable to apply other auditing procedures to the jail canteen fund, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the business-type activities and the jail canteen fund.

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To the People of Kentucky  
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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bourbon County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2008, on our consideration of Bourbon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported
- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

May 28, 2008



## BOURBON COUNTY OFFICIALS

For The Year Ended June 30, 2006

### **Fiscal Court Members:**

Donnie R. Foley	County Judge/Executive
James S. Alexander	Magistrate
Marion Dawson	Magistrate
Barry L. Hay	Magistrate
Dorothy M. Mastin	Magistrate
Donald R. McCarty	Magistrate
George Turley	Magistrate
John N. Smoot	Magistrate

### **Other Elected Officials:**

John J. Brady	County Attorney
Baron Barnes	Jailer
Richard S. Eads	County Clerk
Sherry Rankin	Circuit Court Clerk
Mark L. Matthews	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Rosemary Kitchen	Coroner

### **Appointed Personnel:**

Mary Allen Hedges	County Treasurer
Mary Allen Hedges	Occupational Tax Collector
Charlotte O. Stone	Finance Officer



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859-987-2135  
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**Donnie R. Foley**  
Bourbon County Judge Executive  
Courthouse  
Paris, Kentucky 40361

**Magistrates**  
James Alexander  
Marion Dawson  
Barry Hay  
Dorothy Jo Mastin  
Donnie McCarty  
John Smoot  
George Turley

## **Management's Discussion and Analysis**

### **June 30, 2006**

The financial management of Bourbon County, Kentucky offers readers of Bourbon County's financial statements this narrative overview and analysis of the financial activities of Bourbon County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### **Financial Highlights**

- Bourbon County had total net assets of \$15,390,203 as of June 30, 2006. The fiscal court had unrestricted net assets of \$3,509,474 in its governmental activities as of June 30, 2006, with total net assets of \$15,356,015. In its enterprise fund, cash and cash equivalents were \$34,188 with total net assets of the same amount. Total debt principal as of June 30, 2006 was \$4,181,598 with \$179,830 due within one year.
- At the close of the current fiscal year, Bourbon County's balance sheet reported a fund balance of \$8,876,872. Of this amount, \$3,481,298 is available for spending at the government's discretion (unreserved fund balance).
- Bourbon County's total indebtedness at the close of fiscal year June 30, 2006 was \$4,181,598, of which \$4,001,768 is long-term debt (due after 1 year) and \$179,830 is short-term debt (to be paid within 1 year). Debt reductions were \$169,538 during the year.

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Bourbon County's basic financial statements. Bourbon County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of Bourbon County's finances, in a manner similar to a private-sector business.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2006**  
**(Continued)**

**Government-wide Financial Statements (Continued)**

The *Statement of Net Assets* presents information on all of Bourbon County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bourbon County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Bourbon County's governmental activities include general governmental, protection to persons and property, general health and sanitation, roads, and recreation and culture. The County has one business type activity - the operation of a jail canteen.

The government-wide financial statements include not only Bourbon County itself (known as the primary government), but also a legally separate entity, which has a significant operational or financial relationship with the County. Bourbon County has one such entity, the Public Properties Corporation. It is known as a blended component unit.

**Fund Financial Statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bourbon County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Bourbon County can be divided into two broad categories: *governmental funds and proprietary funds*.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2006**  
**(Continued)**

**Governmental Funds (Continued)**

Bourbon County maintains twenty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, John Marston Educational Fund, Clifton Gillespie Fund and the Public Properties Corporation Bond Proceeds Fund, all of which are considered major funds by the County. The Local Government Economic Assistance Fund, State Grant Fund, Phase I Fund, Wright House Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund are considered non-major funds and are represented in a combined form.

Bourbon County adopts an annual appropriated budget for its major governmental funds, with the exception of the John Marston Educational Fund and the Clifton Gillespie Fund. A budgetary comparison schedule has been provided for the General Fund and the major special revenue funds, the Road Fund and Jail Fund to demonstrate compliance with their budgets.

**Proprietary Funds** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table is a comparison of the county's Statement of Net Assets for 2005 and 2006.

	Governmental Activities		Business-type Activities		Totals	
	2005	2006	2005	2006	2005	2006
<b>Assets</b>						
Current and other assets	\$ 8,215,164	\$ 8,876,872	\$ 29,131	\$ 34,188	\$ 8,244,295	\$ 8,911,060
Capital assets	9,984,185	10,660,741			9,984,185	10,660,741
Total Assets	18,199,349	19,537,613	29,131	34,188	18,228,480	19,571,801
<b>Liabilities</b>						
Current and other liabilities	169,538	179,830			169,538	179,830
Long-term liabilities	4,181,598	4,001,768			4,181,598	4,001,768
Total Liabilities	4,351,136	4,181,598			4,351,136	4,181,598
<b>Net Assets</b>						
Invested in capital assets, net of related debt	5,633,049	6,479,143			5,633,049	6,479,143
Restricted for:						
Permanent Funds	5,262,254	5,367,398			5,262,254	5,367,398
Unrestricted	2,952,910	3,509,474	29,131	34,188	2,982,041	3,543,662
Total Net Assets	\$13,848,213	\$15,356,015	\$ 29,131	\$ 34,188	\$13,877,344	\$15,390,203

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2006**  
**(Continued)**

**Government-wide Financial Analysis (Continued):**

	Governmental Activities		Percentage
	2005	2006	Change
Revenues:			
General Revenue	\$ 3,220,639	\$ 3,835,103	19%
Charges For Services	428,871	266,875	-38%
Operating Grants and Contributions	2,226,069	3,353,775	51%
Capital Grants and Contributions	421,198		-100%
Total Revenues	<u>6,296,777</u>	<u>7,455,753</u>	<u>18%</u>
Expenditures:			
General Government	1,857,528	2,070,392	11%
Protection to Persons and Property	1,577,370	1,790,049	13%
General Health and Sanitation	576,238	582,349	1%
Social Services	431,896	448,729	4%
Recreation and Culture	278,444	388,828	40%
Roads	389,153	351,843	-10%
Interest on Long-Term Debt	325,184	224,898	-31%
Capital Projects	189,318	90,000	-52%
Total Expenditures	<u>\$ 5,625,131</u>	<u>\$ 5,947,088</u>	<u>6%</u>

**Changes in Net Assets**

*Governmental Activities.* Bourbon County's net assets increased by \$1,507,802 in fiscal year 2006. Key elements of this are as follows:

- Current assets and cash increased by \$661,708.
- Investment in capital assets, net of related debt increased \$846,094.
- Current and long-term liabilities decreased by \$169,538.
- Revenues were \$7,455,753 as reflected in the Statement of Activities.
- Expenditures totaled \$5,947,088 as reflected in the Statement of Activities.

*Business-type Activities.* Bourbon County's net assets increased by \$5,057 in fiscal year 2006. Key elements of this are as follows:

- Current assets and cash increased by \$5,057.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2006**  
**(Continued)**

**Financial Analysis of the County's Funds**

As noted earlier, Bourbon County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Bourbon County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2006 fiscal year, the combined ending fund balance of County governmental funds was \$8,876,872. Approximately 39% (\$3,481,298) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$5,395,574) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) John Marston Educational Fund; 5) Clifton Gillespie Fund; and the 6) Public Properties Corporation Bond Proceeds Fund. There are 21 non-major funds. They are the Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meter Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund.

1. The General Fund is the chief operating fund of Bourbon County. At the end of the June 30, 2006 fiscal year, unreserved fund balance of the General Fund was \$2,085,302, while total fund balance was \$2,092,065. The county received \$1,807,564 in Occupational and Net Profit tax revenues. This accounts for approximately 38% of the general fund revenue (excluding all grant and KARP receipts). Likewise, the \$893,326 real property taxes received accounts for approximately 19% of the county's general fund revenues. All other taxes totaling \$552,804 accounts for 12%. The importance of the occupational taxes collected is reflected in these statistics.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$479,770 in fund balance at June 30, 2006. The fund balance at the end of the previous year was \$357,225. The fiscal year 2006 expenditures for road projects were \$1,262,132. This is a 69% increase from the previous year expenditures of \$748,339 due to road resurfacing at Jackstown Road.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2006 of \$14,773. The General Fund must supplement the jail budget each year-for fiscal year 2006, \$834,900 was transferred to the jail.

**Bourbon County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

4. The John Marston Educational Fund had an ending balance of \$1,398,289 as of June 30, 2006. The John Marston Educational Fund is a testamentary trust established under the will of John Marston. All interest income is to be paid semi-annually to the Bourbon County Treasurer for the use and benefit of young men and women of Bourbon County in achieving their educational goals.
5. The Clifton Gillespie Fund was established by the 1943 will of Bourbon County resident, Clifton Gillespie. It named the Bourbon County Fiscal Court as trustee to assist needy residents of Bourbon County with hospital expenses. On June 30, 2006, its fund balance was \$1,333,310. Interest income is issued semi-annually to provide means of payment toward indigent medical bills.
6. The Public Properties Corporation Bond Proceeds Fund had an ending fund balance of \$298,305 on June 30, 2006. The Public Properties Corporation Bond Proceeds Fund is for the debt reduction of the AOC Courthouse Annex.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Bourbon County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$34,188 as of June 30, 2006, which was comprised totally of cash.

**General Fund Budgetary Highlights**

The County's original budget was amended during the fiscal year increasing the operating budget by \$160,270. Actual revenues were \$1,546,161 less than budgeted due to grant monies included in the budget not being received. This led to actual expenditures being less than budgeted.

**Capital Assets and Debt Administration**

*Capital Assets.* Bourbon County's investment in capital assets for its government and business type activities as of June 30, 2006, amounts to \$10,660,741 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Additional information on the County's capital assets can be found in Note 4 of this report.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2006**  
**(Continued)**

**Capital Assets and Debt Administration (Continued)**

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land and Land Improvements	\$ 856,877	\$ 856,877	\$	\$	\$ 856,877	\$ 856,877
Buildings	6,831,324	6,757,092			6,831,324	6,757,092
Other Equipment	504,097	693,283			504,097	693,283
Vehicles and Equipment	388,635	379,287			388,635	379,287
Infrastructure	1,403,252	1,974,202			1,403,252	1,974,202
Total Net Capital Assets	<u>\$ 9,984,185</u>	<u>\$10,660,741</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,984,185</u>	<u>\$10,660,741</u>

*Long-Term Debt.* At the end of the 2006 fiscal year, Bourbon County had total long-term debt principal outstanding of \$4,181,598. The amount of this debt due within the next year is \$179,830 and \$4,001,768 is due in subsequent years. This debt is described in Note 5 of the notes to the financial statements.

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2007 fiscal year budget:

- The county jail expenses remains a huge concern each fiscal year. Built in 1992, we are faced with more equipment problems and repair work each year. These factors plus the daily housing of our own county inmates add to more and more funding from the general fund to cover the jail budget.
- Estimates on repairing our courthouse dome and roof are higher than originally projected. This will result in a larger bond issue and thus larger debt service for the county.
- Blacktopping of county roads is a major issue. As the cost of blacktop increases it means either less roads can be improved or more of the road department's budget must be used resulting in smaller carry-forward to the next budget.

**Requests For Information**

This financial report is designed to provide a general overview of Bourbon County's finances for all those with an interest in the county government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Bourbon County Treasurer, 301 Main Street, Room 210, Paris, KY 40361.



**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**



**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,509,474	\$ 34,188	\$ 3,543,662
Permanently Restricted Assets:			
Cash and Cash Equivalents	327,387		327,387
Bonds - Government	1,759,605		1,759,605
Bonds - Corporate	227,117		227,117
Bonds - Municipal	55,000		55,000
Mutual Funds - Fixed	267,482		267,482
Mutual Funds - Equity	1,440,122		1,440,122
Mutual Funds - Taxable	206,150		206,150
Common Stock	1,084,535		1,084,535
Total Current Assets	8,876,872	34,188	8,911,060
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	856,877		856,877
Buildings	6,757,092		6,757,092
Other Equipment	693,283		693,283
Vehicles and Equipment	379,287		379,287
Infrastructure Assets - Net of Depreciation	1,974,202		1,974,202
Total Noncurrent Assets	10,660,741		10,660,741
Total Assets	19,537,613	34,188	19,571,801
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds	175,000		175,000
Financing Obligations	4,830		4,830
Total Current Liabilities	179,830		179,830
Noncurrent Liabilities:			
Revenue Bonds	3,915,000		3,915,000
Financing Obligations	86,768		86,768
Total Noncurrent Liabilities	4,001,768		4,001,768
Total Liabilities	4,181,598		4,181,598
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	6,479,143		6,479,143
Restricted For Permanent Funds:			
Nonexpendable	5,367,398		5,367,398
Unrestricted	3,509,474	34,188	3,543,662
Total Net Assets	\$ 15,356,015	\$ 34,188	\$ 15,390,203

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

		Program Revenues Received	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 2,070,392	\$ 78,780	\$ 1,068,995
Protection to Persons and Property	1,790,049	159,266	819,951
General Health and Sanitation	566,527	7,397	
Social Services	448,729		
Recreation and Culture	248,415	21,432	
Roads	508,078		1,464,829
Interest on Long-Term Debt	224,898		
Capital Projects	90,000		
Total Governmental Activities	5,947,088	266,875	3,353,775
Business-type Activities:			
Jail Canteen	129,879	134,936	
Total Business-type Activities	129,879	134,936	
Total Primary Government	\$ 6,076,967	\$ 401,811	\$ 3,353,775

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Other Taxes  
Excess Fees  
Miscellaneous Revenues  
Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (922,617)	\$	\$ (922,617)
(810,832)		(810,832)
(559,130)		(559,130)
(448,729)		(448,729)
(226,983)		(226,983)
956,751		956,751
(224,898)		(224,898)
(90,000)		(90,000)
(2,326,438)		(2,326,438)
	5,057	5,057
	5,057	5,057
(2,326,438)	5,057	(2,321,381)
893,326		893,326
130,910		130,910
201,549		201,549
1,948,122		1,948,122
56,314		56,314
264,544		264,544
340,338		340,338
3,835,103		3,835,103
1,508,665	5,057	1,513,722
13,847,350	29,131	13,876,481
\$ 15,356,015	\$ 34,188	\$ 15,390,203

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>John Marston Educational Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,092,065	\$ 479,770	\$ 14,773	\$
Cash and Cash Equivalents - Non-Expendable Trust				90,461
Bonds - Government				430,000
Bonds - Corporate				153,390
Bonds - Municipal				55,000
Mutual Funds - Fixed				
Mutual Funds - Equity				206,467
Mutual Funds - Taxable				
Common Stock				462,971
Total Assets	<u>\$ 2,092,065</u>	<u>\$ 479,770</u>	<u>\$ 14,773</u>	<u>\$ 1,398,289</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	\$ 6,763	\$ 8,325	\$ 12,588	\$
Permanent Funds				1,398,289
Unreserved:				
General Fund	2,085,302			
Special Revenue Funds		471,445	2,185	
Debt Service Fund				
Total Fund Balances	<u>\$ 2,092,065</u>	<u>\$ 479,770</u>	<u>\$ 14,773</u>	<u>\$ 1,398,289</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2006**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 298,305	\$ 624,561	\$ 3,509,474
60,185		176,741	327,387
651,561		678,044	1,759,605
		73,727	227,117
			55,000
		267,482	267,482
		1,233,655	1,440,122
		206,150	206,150
621,564			1,084,535
<u>\$ 1,333,310</u>	<u>\$ 298,305</u>	<u>\$ 3,260,360</u>	<u>\$ 8,876,872</u>
\$	\$	\$ 500	\$ 28,176
1,333,310		2,635,799	5,367,398
			2,085,302
		624,061	1,097,691
	298,305		298,305
<u>\$ 1,333,310</u>	<u>\$ 298,305</u>	<u>\$ 3,260,360</u>	<u>\$ 8,876,872</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 8,876,872
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	13,327,189
Accumulated Depreciation	(2,666,448)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(91,598)
Bonds	(4,090,000)
Net Assets Of Governmental Activities	<u>\$ 15,356,015</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>John Marston Educational Fund</b>
<b>REVENUES</b>				
Taxes	\$ 3,253,694	\$	\$	\$
In Lieu Tax Payments				
Excess Fees	56,314			
Licenses and Permits	62,862			
Intergovernmental	1,185,847	1,359,757	288,362	
Charges for Services	16,879		34,007	
Miscellaneous	55,806	5,307	22,540	22,004
Interest	89,656	19,613	872	51,451
Total Revenues	<u>4,721,058</u>	<u>1,384,677</u>	<u>345,781</u>	<u>73,455</u>
<b>EXPENDITURES</b>				
General Government	967,327			
Protection to Persons and Property	795,696		977,997	
General Health and Sanitation	532,068	34,459		
Social Services	196,961			7,904
Recreation and Culture	232,593			
Roads		505,545		
Airports				
Road Facilities				
Debt Service	10,418			
Capital Projects		588,007		
Administration	597,539	134,121	194,294	
Total Expenditures	<u>3,332,602</u>	<u>1,262,132</u>	<u>1,172,291</u>	<u>7,904</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,388,456</u>	<u>122,545</u>	<u>(826,510)</u>	<u>65,551</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds			834,900	
Transfers To Other Funds	(834,900)			(43,074)
Total Other Financing Sources (Uses)	<u>(834,900)</u>		<u>834,900</u>	<u>(43,074)</u>
Net Change in Fund Balances	553,556	122,545	8,390	22,477
Fund Balances - Beginning	1,538,509	357,225	6,383	1,375,812
Fund Balances - Ending	<u>\$ 2,092,065</u>	<u>\$ 479,770</u>	<u>\$ 14,773</u>	<u>\$ 1,398,289</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$ 3,253,694
			56,314
			62,862
		654,341	3,488,307
	384,018		434,904
57,397		39,727	202,781
46,490	10,762	121,496	340,340
<u>103,887</u>	<u>394,780</u>	<u>815,564</u>	<u>7,839,202</u>
	16,493	608	984,428
		40,941	1,814,634
			566,527
30,664		212,631	448,160
			232,593
			505,545
	384,018		394,436
		90,000	678,007
		627,210	1,553,164
<u>30,664</u>	<u>400,511</u>	<u>971,390</u>	<u>7,177,494</u>
<u>73,223</u>	<u>(5,731)</u>	<u>(155,826)</u>	<u>661,708</u>
		137,888	972,788
(17,903)		(76,911)	(972,788)
<u>(17,903)</u>		<u>60,977</u>	
55,320	(5,731)	(94,849)	661,708
1,277,990	304,036	3,355,209	8,215,164
<u>\$ 1,333,310</u>	<u>\$ 298,305</u>	<u>\$ 3,260,360</u>	<u>\$ 8,876,872</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**BOURBON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 661,708
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,063,995
Depreciation Expense	(386,576)
Capital Outlay - Retirement	
Depreciation Expense - Retirement	
Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These transactions however, have no effect on net assets.	
Financing Obligations Principal Payments	4,538
Bond Principal Payments	<u>165,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,508,665</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**



**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**

	<b>Business-Type Activity</b> <hr/> <b>Enterprise Fund</b> <hr/>	<b>Jail Canteen Fund</b> <hr/>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 34,188	
Total Assets	<hr/> 34,188 <hr/>	
<b>Net Assets</b>		
Unrestricted	34,188	
Total Net Assets	<hr/> \$ 34,188 <hr/>	

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>Business-Type Activity</b>
	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Revenues</b>	
Total Revenues	\$ 134,936
<b>Expenses</b>	
Total Expenses	(129,879)
Change In Net Assets	5,057
Total Net Assets - Beginning	29,131
Total Net Assets - Ending	\$ 34,188

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>Business-Type Activity</b>
	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities and/or Non Capital Financing Activities</b>	
Revenues	\$ 134,936
Expenditures	<u>(129,879)</u>
Net Increase in Cash and Cash Equivalents	5,057
Cash and Cash Equivalents - July 1, 2005	<u>29,131</u>
Cash and Cash Equivalents - June 30, 2006	<u><u>\$ 34,188</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Bourbon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Bourbon County Public Properties Corporation

The Bourbon County Public Properties Corporation cannot be sued in its own name without recourse to the Bourbon County Fiscal Court, which appoints a voting majority consisting of fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation, as the Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as an agent in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

**C. Bourbon County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Bourbon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bourbon County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and modified cash basis of accounting and (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The governmental fund financial statements are reported using the current measurement focus and modified cash basis of accounting.

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

John Marston Educational Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to account for income generated by the principal. The income less applicable administrative costs is to be spent for educational scholarships. The county has a committee, appointed by the County Judge/Executive, that decides how the money shall be disbursed based on applications received by the County Judge/Executive's office.

Clifton Gillespie Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to provide financial assistance with hospitals to indigent residents of Bourbon County. The County Judge/Executive decides who shall receive assistance from this fund by applications submitted. Each eligible person is limited to \$2,000.

Public Properties Corporation Bond Proceeds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to complete renovations on the courthouse. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Proprietary Funds**

Proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to inmates for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 2,500	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Educational Trust Funds or the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund or Educational Trust Funds to be budgeted because the fiscal court does not approve expenses from these funds.

**J. Related Organization and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Judy Water Association is considered a related organization of Bourbon County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Paris-Bourbon County Economic Development Authority is considered a joint venture of the Bourbon County Fiscal Court.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2006, the County had the following investments:

**Cash and Investments by Type**

<b>I. Cash</b>	<b>Cost</b>					
	<b>&lt; 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-15 Years</b>	<b>16-20 Years</b>	<b>&gt; 20 Years</b>
Cash	\$ 396					
Money Market	296,991					
Certificate of Deposit	30,000					
Total Cash	<u>\$ 327,387</u>					

<b>II. Investments</b>	<b>Cost</b>					
	<b>&lt; 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-15 Years</b>	<b>16-20 Years</b>	<b>&gt; 20 Years</b>
Debt Securities:						
Fixed Income Investments:						
Corporate Bonds	\$ 127,785	\$ 50,000	\$ 49,332	\$ 73,887	\$ 14,757	\$ 83,298
Government Bonds		1,469,053	173,610			
Other Bonds		267,482				
Total:	<u>\$ 127,785</u>	<u>\$ 1,786,535</u>	<u>\$ 222,942</u>	<u>\$ 73,887</u>	<u>\$ 14,757</u>	<u>\$ 83,298</u>
Other Investments:						
Common Stock	<u>\$ 1,084,535</u>					
Mutual Funds	<u>1,646,272</u>					
Total:	<u>\$ 2,730,807</u>					
Total Investments	<u>\$ 5,040,011</u>					

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Interest Rate Risk.** The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

**Credit Risk.** KRS 66.480 limits the County's investments in the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government.
- Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity.
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
- Bankers' acceptances for bank's rate in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency.
- Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments.

Also, the County is limited to investing no more than 20% in any one of four specifically mentioned investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. In general, certificates of deposit are not subject to investment credit risk. See the chart below for credit ratings for each individual investment type.

**Investments and Credit Ratings**

	<b>AAA</b>	<b>AA</b>	<b>B</b>	<b>Unrated</b>	<b>Cost</b>
Fixed Income Investments:					
Corporate Bonds	\$	\$ 227,117	\$	\$	\$ 227,117
Government Bonds	1,814,605				1,814,605
Other Bonds	267,482				267,482
Common Stock			1,084,535		1,084,535
Mutual Funds				1,646,272	1,646,272
Total Investments	<u>\$ 2,082,087</u>	<u>\$ 227,117</u>	<u>\$ 1,084,535</u>	<u>\$ 1,646,272</u>	<u>\$ 5,040,011</u>



**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Concentration of Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. See the chart below for investments that exceed five percent or more of the total investments for the County.

<b>Concentration of Credit Risk:</b>	<b>Cost</b>	<b>Concentration %</b>
Fixed Income Investments:		
Corporate Bonds	\$ 227,117	5%
Government Bonds	1,814,605	36%
Other Bonds	267,482	5%
Common Stock	1,084,535	22%
Mutual Funds	1,646,272	33%
<b>Total:</b>	<b>\$ 5,040,011</b>	<b>100%</b>

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2006, the County's investments were not exposed to custodial credit risk.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 856,877	\$	\$	\$ 856,877
Total Capital Assets Not Being Depreciated	856,877			856,877
Capital Assets, Being Depreciated:				
Buildings	7,841,175	36,643		7,877,818
Other Equipment	894,652	285,643		1,180,295
Vehicles and Equipment	1,121,838	59,202		1,181,040
Infrastructure	1,548,652	682,507		2,231,159
Total Capital Assets Being Depreciated	11,406,317	1,063,995		12,470,312
Less Accumulated Depreciation For:				
Buildings	(1,009,851)	(110,875)		(1,120,726)
Other Equipment	(391,418)	(95,594)		(487,012)
Vehicles and Equipment	(733,203)	(68,550)		(801,753)
Infrastructure	(145,400)	(111,557)		(256,957)
Total Accumulated Depreciation	(2,279,872)	(386,576)		(2,666,448)
Total Capital Assets, Being Depreciated, Net	9,126,445	677,419		9,803,864
Governmental Activities Capital Assets, Net	\$ 9,983,322	\$ 677,419	\$ 0	\$ 10,660,741

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 52,634
Protection to Persons and Property	161,885
Recreation and Culture	15,822
Roads, Including Depreciation of General Infrastructure Assets	156,235
Total Depreciation Expense - Governmental Activities	<u>\$ 386,576</u>

The county has elected not to report infrastructure assets retroactively; therefore, only infrastructure costs incurred since implementation of GASB 34 in fiscal year 2004 to present are reflected as a capital asset. Future infrastructure asset expenditures will be capitalized and expensed according to the capitalization policy adopted by the county.

The beginning balance of net assets has been adjusted by \$863. This is discussed further in Note 11 to the financial statements.

**Note 4. Short-term Debt**

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

In July 2005, Bourbon County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing two notes in the amount of \$2,793,900 (\$2,423,600 for the General Fund and \$370,300 for the Road Fund), with principal being due in January 2006. While the county did not use the borrowed funds in order to meet current General Fund and Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$25,148 (\$21,822 in the General Fund and \$3,326 in the Road Fund).

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities:</b>				
Kentucky Advance Revenue Program	\$ 0	\$2,793,900	\$ 2,793,900	\$ 0
Governmental Activities				
Short-term Liabilities	\$ 0	\$ 2,793,900	\$ 2,793,900	\$ 0

**Note 5. Long-term Debt**

- A. During fiscal year ended June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The Public Properties Corporation was obligated to pay \$131,500 in principal payments over seven years, beginning in 1997 and ending in 2004. On November 15, 2004, the Public Properties Corporation refinanced this promissory term note, with an obligation to pay \$98,656 in principal payments over sixty (60) months, beginning December 15, 2004, with a balloon payment scheduled to be made at the end of the note. As of June 30, 2006, the outstanding principal balance of this note was \$91,598.

Fiscal Year Ended June 30,	Principal	Interest
2007	4,830	5,588
2008	5,141	5,277
2009	5,472	4,946
2010	76,155	1,959
Totals	\$ 91,598	\$ 17,770

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

- B. On August 1, 2000, the Bourbon County Public Properties Corporation issued bonds, Series 2000, in the amount of \$4,705,000, for the purpose of constructing a circuit and district courts facility. Principal payments are made annually on February 1, and interest on the bonds is payable on February 1 and August 1. As of June 30, 2006, the outstanding principal balance was \$4,090,000.

Fiscal Year Ended June 30,	Principal	Interest
2007	\$ 175,000	\$ 210,974
2008	180,000	202,442
2009	190,000	193,442
2010	200,000	183,942
2011	210,000	173,942
2012-2016	1,220,000	699,283
2016-2021	1,575,000	345,188
2021-2022	340,000	17,850
Totals	<u>\$ 4,090,000</u>	<u>\$ 2,027,063</u>

**C. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 4,255,000	\$	\$ (165,000)	\$ 4,090,000	\$ 175,000
Financing Obligations	96,136		(4,538)	91,598	4,830
Governmental Activities					
Long-term Liabilities	<u>\$ 4,351,136</u>	<u>\$ 0</u>	<u>\$ (169,538)</u>	<u>\$ 4,181,598</u>	<u>\$ 179,830</u>

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

The Bourbon County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2006, Bourbon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 9. Subsequent Events**

**A. Investigation by Attorney General**

During the fiscal year 2003 audit, the county informed the auditors of a situation involving an investigation by the Commonwealth of Kentucky's Office of the Attorney General. They were investigating the fact that three employees of the county, which work at the fire department, had allegedly falsified time cards in order to receive increased compensation. As of May 25, 2006, the county informed the auditors that one employee had pled guilty and the two remaining employees were later found guilty. As of March 21, 2007 all restitution amounts related to this case had been paid in full.

**B. General Obligation Public Project Bonds, Series 2006**

On October 1, 2006, the Bourbon County Public Properties Corporation issued \$2,000,000 of General Obligation Public Project Bonds. The proceeds for this issuance will be to provide for the costs of completing the acquisition, construction and installation of repairs to the dome and roof of the Bourbon County Courthouse as well as the electrical systems improvements and upgrades to the heating and air conditioning systems; to pay for the municipal bond insurance; and to pay the costs of issuances of these obligations.

**C. Revenue Refunding Bonds, Series 2006**

On December 1, 2006, the Bourbon County Public Properties Corporation issued \$4,260,000 of First Mortgage Revenue Refunding Bonds. The proceeds for this issuance will provide refunding for the Series 2000, Courthouse Annex. The Bourbon County Public Properties Corporation and the State Administrative Office of the Courts (AOC) have entered into a Lease Agreement, dated December 1, 2006, wherein AOC shall lease from the Corporation the Project and Project site, at 100% of the principal and interest of the bonds. The lease does not require the County to make any payments toward the Project; however, the County is obligated to provide operation, maintenance, insurance and repair of the Project.

**D. General Obligation Public Project Bonds, Series 2007**

On February 1, 2007, the Bourbon County Public Properties Corporation issued \$1,750,000 of General Obligation Public Project Bonds. The proceeds for this issuance will be to finance the acquisition, construction, installation and equipping of electrical system improvements and upgrades to the heating and air conditioning systems at the Bourbon County Courthouse as well as to pay the costs of issuance of these obligations.

**Note 10. Prior Period Adjustment**

The beginning balance of governmental activities has been restated by \$863 to reflect an adjustment made to capital assets.

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**





**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2006**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,743,570	\$ 2,743,570	\$ 3,253,694	\$ 510,124
Excess Fees	40,666	40,666	56,314	15,648
Licenses and Permits	52,300	52,300	62,862	10,562
Intergovernmental Revenue	3,145,672	3,303,942	1,185,847	(2,118,095)
Charges for Services	15,000	15,000	16,878	1,878
Miscellaneous	95,082	97,082	50,069	(47,013)
Interest	51,583	51,583	132,318	80,735
Total Revenues	6,143,873	6,304,143	4,757,982	(1,546,161)
EXPENDITURES				
General Government	1,719,729	1,739,389	967,327	772,062
Protection to Persons and Property	889,377	1,101,572	795,696	305,876
General Health and Sanitation	1,984,522	1,981,355	532,068	1,449,287
Social Services	323,645	324,675	196,961	127,714
Recreation and Culture	334,250	350,061	232,593	117,468
Debt Service	2,459,346	2,476,681	2,476,679	2
Administration	1,221,187	1,057,931	597,539	460,392
Total Expenditures	8,932,056	9,031,664	5,798,863	3,232,801
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,788,183)	(2,727,521)	(1,040,881)	1,686,640
OTHER FINANCING SOURCES (USES)				
Kentucky Advance Revenue Program	2,423,600	2,423,600	2,423,600	
Transfers To Other Funds	(635,417)	(635,417)	(834,900)	(199,483)
Total Other Financing Sources (Uses)	1,788,183	1,788,183	1,588,700	(199,483)
Net Changes in Fund Balance	(1,000,000)	(939,338)	547,819	1,487,157
Fund Balance - Beginning	1,000,000	1,000,000	1,544,246	544,246
Fund Balance - Ending	\$ 0	\$ 60,662	\$ 2,092,065	\$ 2,031,403

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,198,399	\$ 1,323,399	\$ 1,359,757	\$ 36,358
Miscellaneous	250	250	5,307	5,057
Interest	8,589	8,589	26,131	17,542
Total Revenues	<u>1,207,238</u>	<u>1,332,238</u>	<u>1,391,195</u>	<u>58,957</u>
<b>EXPENDITURES</b>				
General Health and Sanitation	55,344	55,344	34,459	20,885
Roads	693,510	726,507	505,545	220,962
Debt Service	374,170	376,819	376,818	1
Capital Projects	510,000	635,000	588,007	46,993
Administration	244,514	208,868	134,121	74,747
Total Expenditures	<u>1,877,538</u>	<u>2,002,538</u>	<u>1,638,950</u>	<u>363,588</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(670,300)</u>	<u>(670,300)</u>	<u>(247,755)</u>	<u>422,545</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Kentucky Advance Revenue Program	370,300	370,300	370,300	
Total Other Financing Sources (Uses)	<u>370,300</u>	<u>370,300</u>	<u>370,300</u>	
Net Changes in Fund Balance	(300,000)	(300,000)	122,545	422,545
Fund Balance - Beginning	<u>300,000</u>	<u>300,000</u>	<u>357,225</u>	<u>57,225</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 479,770</u>	<u>\$ 479,770</u>

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 507,574	\$ 515,818	\$ 288,362	\$ (227,456)
Charges for Services	30,600	30,600	34,007	3,407
Miscellaneous	4,800	21,800	28,278	6,478
Interest	100	100	872	772
Total Revenues	543,074	568,318	351,519	(216,799)
<b>EXPENDITURES</b>				
Protection to Persons and Property	955,491	1,054,418	977,997	76,421
Administration	223,300	210,279	194,294	15,985
Total Expenditures	1,178,791	1,264,697	1,172,291	92,406
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(635,717)	(696,379)	(820,772)	(124,393)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	635,417	635,417	834,900	199,483
Total Other Financing Sources (Uses)	635,417	635,417	834,900	199,483
Net Changes in Fund Balance	(300)	(60,962)	14,128	75,090
Fund Balance - Beginning	300	300	645	345
Fund Balance - Ending	\$ 0	\$ (60,662)	\$ 14,773	\$ 75,435

**BOURBON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2006**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation Of Actual Operating Revenues And Expenditures To Required Supplementary Information**

**A. General Fund**

Actual operating revenues of the General Fund reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances is \$36,924 less than on the General Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is due to Kentucky Advance Revenue Program (KARP) interest being removed in the amount of \$42,661 and an adjustment to prior year surplus in the amount of \$5,737 in order to agree to prior year.

Actual operating expenditures of the General Fund reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances is \$2,466,261 less than on the General Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is due KARP principal and interest payments being removed.

Total other financing sources (uses) of the General Fund reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances is \$2,423,600 less than that on the General Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is the result of the removal of KARP principal.

**B. Road Fund**

Actual operating revenues of the Road Fund reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances is \$6,518 less than on the Road Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is due to Kentucky Advance Revenue Program (KARP) interest being removed.

Actual operating expenditures of the Road Fund reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances is \$376,818 less than on the Road Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is due KARP principal and interest payments being removed.

Total other financing sources (uses) of the Road Fund reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances is \$370,300 less than that on the Road Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is the result of the removal of KARP principal.

**BOURBON COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)**

**JUNE 30, 2006**

**Note 2. Reconciliation Of Actual Operating Revenues And Expenditures To Required Supplementary Information (Continued)**

**C. Jail Fund**

Actual operating revenues of the Jail Fund reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances is \$5,738 less than on the Jail Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is due to an adjustment to prior year surplus in order to agree to audited amounts.

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**BOURBON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2006**

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2006**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>	<b>Health and Welfare Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 78,097	\$	\$ 9,612	\$ 154,336	\$ 17,124
Cash and Cash Equivalents - NonExpendable Trust					
Bonds - Government					
Bonds - Corporate					
Mutual Funds - Fixed					
Mutual Funds - Equity					
Mutual Funds - Taxable					
Total Assets	<u>\$ 78,097</u>	<u>\$ 0</u>	<u>\$ 9,612</u>	<u>\$ 154,336</u>	<u>\$ 17,124</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 500	\$	\$	\$	\$
Permanent Funds					
Unreserved:					
Special Revenue Funds	<u>77,597</u>		<u>9,612</u>	<u>154,336</u>	<u>17,124</u>
Total Fund Balances	<u>\$ 78,097</u>	<u>\$ 0</u>	<u>\$ 9,612</u>	<u>\$ 154,336</u>	<u>\$ 17,124</u>

The accompanying notes are an integral part of the financial statements.



**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2006**  
**(Continued)**

<b>Educational Trust Checking Fund</b>	<b>E.M. Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>	<b>Robert Meteer Fund</b>	<b>Lucy Anderson Fund</b>
\$ 365,392	\$	\$	\$	\$	\$	\$
		7			46,677	27,612
	36,176	116,511	5,371	10,738	156,196	49,500
					105,000	80,622
					414,551	120,000
						133,490
<u>\$ 365,392</u>	<u>\$ 36,176</u>	<u>\$ 116,518</u>	<u>\$ 5,371</u>	<u>\$ 10,738</u>	<u>\$ 722,424</u>	<u>\$ 411,224</u>
\$	\$	\$	\$	\$	\$	\$
	36,176	116,518	5,371	10,738	722,424	411,224
365,392						
<u>\$ 365,392</u>	<u>\$ 36,176</u>	<u>\$ 116,518</u>	<u>\$ 5,371</u>	<u>\$ 10,738</u>	<u>\$ 722,424</u>	<u>\$ 411,224</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2006**  
**(Continued)**

	<b>Harrell- Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>	<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$	\$	\$	\$	\$
Cash and Cash Equivalents - NonExpendable Trust	719	653	1,438	35,345	1,648
Bonds - Government				146,207	
Bonds - Corporate				49,332	
Mutual Funds - Fixed	17,306	8,578	11,976		24,000
Mutual Funds - Equity	15,525	16,365	17,169	348,367	30,904
Mutual Funds - Taxable			3,219		5,364
Total Assets	<u>\$ 33,550</u>	<u>\$ 25,596</u>	<u>\$ 33,802</u>	<u>\$ 579,251</u>	<u>\$ 61,916</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$	\$	\$	\$	\$
Permanent Funds	33,550	25,596	33,802	579,251	61,916
Unreserved:					
Special Revenue Funds					
Total Fund Balances	<u>\$ 33,550</u>	<u>\$ 25,596</u>	<u>\$ 33,802</u>	<u>\$ 579,251</u>	<u>\$ 61,916</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2006**  
**(Continued)**

<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$	\$ 624,561
20,334	15	38,918	3,375	176,741
39,050	49,362	39,308	29,625	678,044
		24,395		73,727
20,000				267,482
150,064		88,218	32,492	1,233,655
64,077				206,150
<u>\$ 293,525</u>	<u>\$ 49,377</u>	<u>\$ 190,839</u>	<u>\$ 65,492</u>	<u>\$ 3,260,360</u>
\$	\$	\$	\$	\$ 500
293,525	49,377	190,839	65,492	2,635,799
				624,061
<u>\$ 293,525</u>	<u>\$ 49,377</u>	<u>\$ 190,839</u>	<u>\$ 65,492</u>	<u>\$ 3,260,360</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2006**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 105,071	\$	\$	\$ 549,270
Miscellaneous			5,500	
Interest	2,161		29	12,342
Total Revenues	<u>107,232</u>		<u>5,529</u>	<u>561,612</u>
<b>EXPENDITURES</b>				
General Government			608	
Protection to Persons and Property	40,941			
Social Services				
Capital Projects	90,000			
Administration				627,210
Total Expenditures	<u>130,941</u>		<u>608</u>	<u>627,210</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(23,709)</u>		<u>4,921</u>	<u>(65,598)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Other Funds				
Transfers From Other Funds				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(23,709)		4,921	(65,598)
Fund Balances - Beginning	101,806		4,691	219,934
Fund Balances - Ending	<u>\$ 78,097</u>	<u>\$ 0</u>	<u>\$ 9,612</u>	<u>\$ 154,336</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Health and Welfare Fund</b>	<b>Educational Trust Checking Fund</b>	<b>E.M. Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>
\$	\$	\$	\$	\$	\$
5,000					
257	1,016	2,248	7,747	425	850
5,257	1,016	2,248	7,747	425	850
3,122	178,849	3,866	158	94	122
3,122	178,849	3,866	158	94	122
2,135	(177,833)	(1,618)	7,589	331	728
		(3,241)	(13,717)	(507)	(1,145)
	137,888				
	137,888	(3,241)	(13,717)	(507)	(1,145)
2,135	(39,945)	(4,859)	(6,128)	(176)	(417)
14,989	405,337	41,035	122,646	5,547	11,155
\$ 17,124	\$ 365,392	\$ 36,176	\$ 116,518	\$ 5,371	\$ 10,738

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>Robert Meteer Fund</b>	<b>Lucy Anderson Fund</b>	<b>Harrell - Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$	\$
Miscellaneous	16,297	5,078	392	946
Interest	23,238	12,418	1,106	580
Total Revenues	39,535	17,496	1,498	1,526
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property				
Social Services	4,074	4,159	400	100
Capital Projects				
Administration				
Total Expenditures	4,074	4,159	400	100
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	35,461	13,337	1,098	1,426
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Other Funds	(13,400)	(11,490)	(890)	(467)
Transfers From Other Funds				
Total Other Financing Sources (Uses)	(13,400)	(11,490)	(890)	(467)
Net Change in Fund Balances	22,061	1,847	208	959
Fund Balances - Beginning	700,363	409,377	33,342	24,637
Fund Balances - Ending	\$ 722,424	\$ 411,224	\$ 33,550	\$ 25,596

The accompanying notes are an integral part of the financial statements.



**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>	<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>
\$	\$	\$	\$	\$	\$	\$
122	210	902	2,202		2,341	737
1,101	32,117	1,886	9,736	4,214	6,159	1,866
1,223	32,327	2,788	11,938	4,214	8,500	2,603
430	3,504	407	11,722	175	1,040	409
430	3,504	407	11,722	175	1,040	409
793	28,823	2,381	216	4,039	7,460	2,194
(996)	(14,805)	(1,529)		(8,293)	(5,496)	(935)
(996)	(14,805)	(1,529)		(8,293)	(5,496)	(935)
(203)	14,018	852	216	(4,254)	1,964	1,259
34,005	565,233	61,064	293,309	53,631	188,875	64,233
\$ 33,802	\$ 579,251	\$ 61,916	\$ 293,525	\$ 49,377	\$ 190,839	\$ 65,492

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>	
Intergovernmental	\$ 654,341
Miscellaneous	39,727
Interest	<u>121,496</u>
Total Revenues	<u>815,564</u>
<b>EXPENDITURES</b>	
General Government	608
Protection to Persons and Property	40,941
Social Services	212,631
Capital Projects	90,000
Administration	<u>627,210</u>
Total Expenditures	<u>971,390</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(155,826)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer to Other Funds	(76,911)
Transfers From Other Funds	<u>137,888</u>
Total Other Financing Sources (Uses)	<u>60,977</u>
Net Change in Fund Balances	(94,849)
Fund Balances - Beginning	<u>3,355,209</u>
Fund Balances - Ending	<u><u>\$ 3,260,360</u></u>

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Donnie Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

**Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 28, 2008 wherein we issued a disclaimer of opinion on the financial statements of the business-type activities and the jail canteen fund due to the lack of adequate documentation being maintained by the Former Jailer. Bourbon County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Bourbon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bourbon County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying comments and recommendations.

- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bourbon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported

This report is intended solely for the information and use of the Bourbon County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

May 28, 2008

**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2006**





**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2006**

STATE LAWS AND REGULATIONS

Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported

The Former Jailer was responsible for collecting certain monies in the course of his elected position. During the audit, we noted the Former Jailer did not prepare or present a financial statement to the Fiscal Court for the Jail Canteen Fund as required by KRS 441.135. Auditors were also unable to obtain daily check out sheets, receipts and disbursements ledgers, supporting documentation for disbursements, or bank reconciliations for the Jail Canteen Fund. Unless otherwise specified by statute, the handling of these funds should be in accordance with the requirements for handling all county funds as prescribed by the state local finance officer pursuant to KRS 68.210.

Based on these findings and the responsibility of the Jailer to collect and account for Jail Canteen monies, we recommend the following guidelines for minimum accounting and reporting standards:

- Utilize the cash basis of accounting.
- Maintain the Jail Canteen for the benefit of prisoners lodged in the jail.
- Ensure all profits from the Jail Canteen are used for allowable expenses that are for the benefit and to enhance the well being of the prisoners. Allowable expenses shall include but not be limited to recreational, vocational and medical purposes.
- The Jailer should implement and follow the fee schedule adopted by the Fiscal Court for assessing fees to inmates housed at the Jail. This fee schedule should be consistently applied to all inmates.
- The Jailer should maintain an "inmates account" to identify fees charged to the inmates that were not paid. This minimum information should list the name, admission number, admission date, cash deposited at admission, dates of deposits, dates of withdrawals and balance or amount due at release.
- Maintain supporting documentation for all disbursements from the Jail Canteen.
- Issue pre-numbered three part receipt forms for all receipts and account for the numerical sequence of all receipts issued.
- Batch daily receipts and agree to daily cash check out sheet and daily bank deposits.
- Prepare monthly bank reconciliation.
- Maintain receipts and disbursements ledgers. Reconcile to bank on a monthly basis and reconcile any differences immediately.
- Prepare and present the annual Jail Canteen financial statement to the County Treasurer.

We recommend the Fiscal Court and Jailer implement policies and procedures to ensure that income from inmates and the canteen is properly and consistently collected, receipted and deposited into an official bank account and that the accounting documentation and financial statement requirements outlined above are being met by the Jailer at all times in order to be in compliance with KRS 68.210 and KRS 441.135 in the future.

*County Judge/Executive's Response: At our 6/12/08 Fiscal Court Meeting we will by court order require a detailed reporting of the receipts and expenditures of the jail's canteen (commissary) fund. Beginning with July 1, 2008 we will ask for a monthly reporting to the Fiscal Court.*

**BOURBON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2006**  
**(Continued)**

REPORTABLE CONDITIONS

Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

The Bourbon County Detention Center Policy and Procedure Manual includes a policy and plan for collection of inmate accounts receivable. However, financial records to substantiate accounts receivable were not available for the audit period. Also, monitoring of accounts receivable balances or collections of accounts receivable is not done by the fiscal court.

Based on this we recommend fiscal court implement policies and procedures to ensure accounts receivable from inmates is maintained and collected. These policies and procedures should include but not be limited to:

- Policies and procedures to track and collect accounts receivable from inmates.
- A formal collection process, i.e. turn over to County Attorney, contract with a collection agency, or designate a staff member to actively attempt collection.
- Accounts receivable records maintenance and collection of amounts due from returning former inmates.
- Monitoring accounts receivable balances and implementing a policy with regard to aging of accounts receivable and subsequent write off of uncollectible accounts.

*County Judge/Executive's Response: A monthly detailed report of inmate receivables will be required of any outstanding fees owed to the county; therefore a listing can be presented to the County Attorney for collection.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BOURBON COUNTY FISCAL COURT**

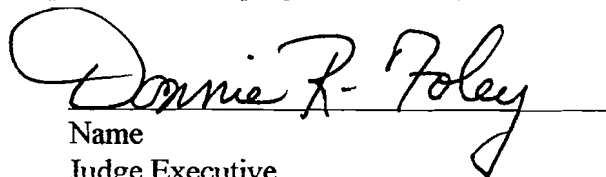
**For The Fiscal Year Ended  
June 30, 2006**

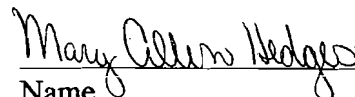


**CERTIFICATON OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**BOURBON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2006

The Bourbon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

  
Name  
Judge Executive

 5/28/08  
Name  
County Treasurer



